



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MARTIN COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARTIN FISCAL COURT AUDIT

FISCAL YEAR ENDED JUNE 30, 2000

The Auditor of Public Accounts has completed the Martin County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$2,116,352 from the prior fiscal year, resulting in a cash surplus of 4,801,360 as of June 30, 2000. Revenues increased by \$1,885,413 from the prior year and disbursements increased by \$483,230.

Debt Obligations:

Total bonded debt principal as of June 30, 2000, was \$2,815,000. Future collections of \$3,348,495 are needed over the next twelve years to pay all bonded debt principal and interest.

Capital lease agreements totaled \$77,066 as of June 30, 2000. Future principal and interest payments of \$77,066 are needed to meet these obligations.

Report Comments:

No reportable conditions existed.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Lon E. Lafferty, Martin County Judge/Executive
Members of the Martin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Martin County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Martin County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Martin County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Martin County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Lon E. Lafferty, Martin County Judge/Executive
Members of the Martin County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2000, on our consideration of Martin County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 21, 2000

MARTIN COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Lon E. Lafferty	County Judge/Executive
Dave West	Magistrate
Darrell Mills	Magistrate
John Harmon	Magistrate
James Jarrett	Magistrate
Garland Muncy	Magistrate

Other Elected Officials:

Drewie Muncy	County Attorney
Tommy Muncy	Jailer
Carol Sue Mills	County Clerk
Carolyn Horn	Circuit Court Clerk
Darrell West	Sheriff
Tim Robinson	Property Valuation Administrator
Quentin M. Crum	Coroner

Appointed Personnel:

Franklin Fletcher	County Treasurer
Michelle Chapman	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MARTIN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$	770
Road and Bridge Fund:		
Cash		5,159
Jail Fund:		
Cash		242
Local Government Economic Assistance Fund:		
Cash		134,781
Forestry Fund:		
Cash		91
Local Government Economic Development Fund:		
Cash		2,866,776
Housing and Urban Development Fund:		
Cash		137,035
Payroll Account - Cash		<u>200</u>
	\$	3,145,054

Debt Service Fund Type

Public Properties Corporation Bond Fund:		
Courthouse Annex Bonds - Cash	\$	1,441,347
1998 Refinancing Bonds - Cash		<u>215,159</u>
		<u>1,656,506</u>

Total Assets		\$	4,801,560
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Other Resources

Debt Service Fund Type

Public Properties Corporation Fund:		
Amounts to be Provided in Future Years for Bond Payments:		
Courthouse Annex Bonds	\$	10,160
1998 Refinancing Bonds		<u>1,707,029</u>
		<u>1,717,189</u>
Total Assets and Other Resources		<u>\$ 6,518,749</u>

The accompanying notes are an integral part of the financial statements.

MARTIN COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

Payroll Account	\$	200
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Debt Service Fund Types

Public Properties Corporation Fund:

Courthouse Annex Bonds (Note 4A)	\$	1,451,507	
1998 Refinancing Bonds (Note 4B)		<u>1,922,188</u>	3,373,695

Fund Balances

Reserved:

General Fund Type

Forestry Fund	\$	91	
Local Governmental Economic Fund		2,866,776	
Housing and Urban Development Fund		<u>137,035</u>	3,003,902

Unreserved:

General Fund Type

General Fund	\$	770	
Road and Bridge Fund		5,159	
Jail Fund		242	
Local Government Economic Assistance Fund		<u>134,781</u>	<u>140,952</u>

Total Liabilities and Fund Balances	\$	<u><u>6,518,749</u></u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MARTIN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 6,613,377	\$ 975,457	\$ 663,019	\$ 73,530
Transfers In	982,406	307,535	160,000	237,000
Borrowed Money	300,000		150,000	
Total Cash Receipts	<u>\$ 7,895,783</u>	<u>\$ 1,282,992</u>	<u>\$ 973,019</u>	<u>\$ 310,530</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,171,361	\$ 1,135,287	\$ 573,796	\$ 311,573
Transfers Out	982,406	147,076	323,135	
Bonds:				
Principal Paid	160,000			
Interest Paid	164,225			
Fees	1,439			
Borrowed Money Repaid	300,000		150,000	
Total Cash Disbursements	<u>\$ 5,779,431</u>	<u>\$ 1,282,363</u>	<u>\$ 1,046,931</u>	<u>\$ 311,573</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 2,116,352	\$ 629	\$ (73,912)	\$ (1,043)
Cash Balance - July 1, 1999	<u>2,685,008</u>	<u>141</u>	<u>79,071</u>	<u>1,285</u>
Cash Balance - June 30, 2000	<u>\$ 4,801,360</u>	<u>\$ 770</u>	<u>\$ 5,159</u>	<u>\$ 242</u>

The accompanying notes are an integral part of the financial statements.

MARTIN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2000
(Continued)

General Fund Types					Debt Service Fund Type
Local Government Economic Assistance Fund	Forestry Fund	Local Government Economic Development Fund	Housing and Urban Development Fund	Pride Grant Fund	Public Properties Corporation Fund
\$ 1,150,439 232,330 150,000	\$ 91 541	\$ 3,359,508	\$ 100,275	\$ 41,730 45,000	\$ 249,328
\$ 1,532,769	\$ 632	\$ 3,359,508	\$ 100,275	\$ 86,730	\$ 249,328
\$ 881,824 469,330	\$ 2,224	\$ 1,153,142	\$ 69,650	\$ 43,865 42,865	\$
150,000					160,000 164,225 1,439
\$ 1,501,154	\$ 2,224	\$ 1,153,142	\$ 69,650	\$ 86,730	\$ 325,664
\$ 31,615 103,166	\$ (1,592) 1,683	\$ 2,206,366 660,410	\$ 30,625 106,410	\$ 0	\$ (76,336) 1,732,842
\$ 134,781	\$ 91	\$ 2,866,776	\$ 137,035	\$ 0	\$ 1,656,506

The accompanying notes are an integral part of the financial statements.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Martin County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation and the Local Economic Development Board as part of the reporting entity.

Additional – Martin County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Martin County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Martin County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1. General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Martin County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Forestry Fund, Local Government Economic Development Fund, Housing and Urban Development Fund, Pride Grant Fund.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2. Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Bond Fund. Debt service is provided through annual transfers from the Debt Service Type Accounts and the Administrative Office of the Courts in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Martin County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Bond Fund, Debt Service Fund Type, because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are received from the Administrative Office of the Courts to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employee's Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement with the county securing the county's interest in the collateral. Subsequently the county has entered into a written agreement.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Long-Term Debt

A. 1991 Courthouse Annex Bonds

The Public Properties Corporation issued \$1,780,000 of First Mortgage Revenue Bonds dated March 1991 for construction of the Courthouse Annex. The Public Properties Corporation refinanced these bonds on September 1, 1998. The bonds are scheduled to be retired March 1, 2001. Debt Service requirements are as follows:

<u>Fiscal Year End June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>	<u>Call Premium Due</u>
2001	\$ 91,307	\$ 1,335,000	\$ 25,200
Totals	<u>\$ 91,307</u>	<u>\$ 1,335,000</u>	<u>\$ 25,200</u>

B. 1998 Refinancing Bonds

The Public Properties Corporation Fund issued \$1,660,000 of First Mortgage Revenue Refunding Bonds dated March 1998 for the refinancing of the Courthouse Annex Bonds. Principal Payments are due each year starting on September 1, 1998, in the amounts indicated below. Interest on the bonds is payable each March 1 and September 1, beginning September 1, 1998.

<u>Fiscal Year End June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 64,342	\$ 100,000
2002	60,243	100,000
2003	55,936	105,000
2004	51,447	105,000
Thereafter	<u>210,220</u>	<u>1,070,000</u>
Totals	<u>\$ 442,188</u>	<u>\$ 1,480,000</u>

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Lease Agreements

A. Capital Lease

The county entered into a lease agreement with the Kentucky Transportation Cabinet for the purchase of land for an industrial site. The lease requires annual payments of \$4,533 for 29 years.

<u>Fiscal Year</u> <u>End June 30,</u>	<u>Required</u> <u>Payment</u>
2001	\$ 4,533
2002	4,533
2003	4,533
2004	4,533
Thereafter	<u>58,934</u>
Totals	<u>\$ 77,066</u>

C. Operating Lease

The county entered into an operating lease agreement with Farmers Bank and Capital Trust Company for the purchase of two Jeep Cherokees. The lease has a variable interest rate and a maturity date of November 5, 2001. The balance of the agreement as of June 30, 2000, is \$48,210.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MARTIN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,074,859	\$ 975,457	\$ (99,402)
Road and Bridge Fund	795,516	663,019	(132,497)
Jail Fund	71,992	73,530	1,538
Local Government Economic Assistance Fund	1,384,700	1,150,439	(234,261)
Forestry Fund	39	91	52
Local Government Economic Development Fund	3,833,333	3,359,508	(473,825)
Housing and Urban Development Fund	124,037	100,275	(23,762)
Pride Grant Fund	65,000	41,730	(23,270)
Totals	<u>\$ 7,349,476</u>	<u>\$ 6,364,049</u>	<u>\$ (985,427)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 7,349,476
Add: Budgeted Prior Year Surplus	930,490
Less: Other Financing Uses	<u>(300,000)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 7,979,966</u>

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SCHEDULE OF OPERATING REVENUE

MARTIN COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>GOVERNMENTAL FUND TYPES</u>			
	Totals (Memorandum Only)	General Fund Type	Debt Service Fund Type
<u>REVENUE:</u>			
Taxes	\$ 1,660,086	\$ 1,660,086	\$
Excess Fees	4,900	4,900	
License and Permits	178,912	178,912	
Intergovernmental Revenues	4,570,522	4,428,122	142,400
Charges for Services	12,938	12,938	
Miscellaneous Revenues	68,292	68,292	
Interest Earned	117,727	10,799	106,928
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Total Operating Revenue	<u>\$ 6,613,377</u>	<u>\$ 6,364,049</u>	<u>\$ 249,328</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MARTIN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 5,367,377	\$ 892,557	\$ 4,474,820
Protection to Persons and Property	485,203	464,140	21,063
General Health and Sanitation	395,530	1,295,421	(899,891)
Social Services	290,275	112,737	177,538
Recreation and Culture	85,720	129,474	(43,754)
Roads	699,869	510,237	189,632
Debt Service	49,694	39,177	10,517
Capital Projects		226,328	(226,328)
Administration	606,298	501,290	105,008
Total Operating Budget - All General Fund Types	\$ 7,979,966	\$ 4,171,361	\$ 3,808,605
Other Financing Uses: Borrowed Money-	300,000	300,000	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 8,279,966</u>	<u>\$ 4,471,361</u>	<u>\$ 3,808,605</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Lon E. Lafferty, Martin County Judge/Executive

Members of the Martin County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Martin County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Martin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Martin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 21, 2000

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

MARTIN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

MARTIN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Martin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


County Judge/Executive


County Treasurer